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- FOWLER, N. C., Editor. *Practical salesmanship; a treatise on the art of selling goods.* (Boston: Little, Brown Co. 1911. Pp. xx, 317.)
- GERIN, O., and ESPINADEL, C. *Commerce et industrie. Les procédés modernes de vente. La publicité suggestive théorique et technique.* Preface by W. D. SCOTT. (Paris: H. Dunod et E. Pinat. 1911. Pp. xxiv, 446. 15 fr.)
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A book of reference. The arrangement is alphabetical.
- KIRSCHBAUM, S. *Business organization and administration, credits and private finance.* (New York: Universal Business Institute. 1911. Pp. vii, 356.)
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To be reviewed.
- WELD, L. D. H. *Practical salesmanship.* (New York: Universal Business Institute. 1911. Pp. vii, 411.)
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### Capital and Capitalistic Organizations

- Die monographische Darstellung der Aktiengesellschaften.* By DR. OTTO WARSCHAUER. (Berlin: Franz Vahlen. 1910. Pp. 42. 1 m.)
- Syndicats Financier d'Emission: Organisation, Responsabilité.* By M. E. THALLER. (Paris: A. Rousseau. 1910. Pp. 56.)

Professor Warschauer's theme should in itself command attention. He urges the importance of the corporation as a subject of economic research and presents a specific program to that end. That economists have not yet begun to enquire seriously into the

economic significance of the modern revolution in the forms of business organization can scarcely be questioned. In America as well as in Germany some seemingly pathological aspects of corporate organization (especially trusts and *Kartelle*) have received much attention. In both countries, too, there is a rapidly growing literature dealing with corporation finance, although in this latter field the advantage as to both quantity and quality of product is with the Germans. But the enormous possibilities of the study of what for the lack of a better term might be called the "economics of the corporation" have been neglected. The effects of the form of business organization itself upon production, distribution, saving, crises, economic opportunity, social stratification, and a host of other things, have not been thoroughly and seriously weighed. Here again German scholarship has such slight margin of advantage as there is. The monographs of Steinitzer and Passow, certain minor contributions in Ehrenberg's *Archiv* and elsewhere, and the consideration given to *Aktiengesellschaften* in a number of the systematic manuals constitute together more of a beginning than we have yet made.

It is not clear, however, that Professor Warschauer has pointed out the best road to the desired end. He proposes the separate ("monographic") treatment of each important *Aktiengesellschaft*. From the company's archives and its published reports, from trade journals and other pertinent sources the facts as to the *Produktions-, Finanz-, Sozial-, und Handelspolitik* of the undertaking in question are to be gathered. More specifically, the business unit is to be the focus of a detailed historical and descriptive study of such different things as factory organization, technical processes, raw materials, marketing, financial policies (reserves, dividends, methods of raising capital, relations with banks, etc.), accounting methods, staff organization, salaries, wages, methods of wage payment, composition of working force (age, sex, etc.), their housing, their cost of living, their savings, compulsory and voluntary insurance, "social betterment" activities of various sorts, public relations of the business (governmental restrictions, special privileges, tariff policies, taxation, etc.) and other similar details. The purpose obviously is to get an accurate, detailed picture of modern economic life in its various inter-relations. The method is that of Le Play, given a wider scope and applied to complex and many faceted units.

But one wonders whether it is all worth while. Genius of a rare order might bring to the investigation of such an economic microcosm illuminating guiding principles, fertile questions, and a sensitive perception of its broader relations. But Professor Warschauer, it is to be inferred, has merely intended to point out an inexhaustible supply of raw material for the frequently slipshod manufacturing processes of the German university seminar and the German university dissertation.

A monograph of quite another sort is the discussion of underwriting syndicates by Professor Thaller of the Faculty of Law of the University of Paris. Among the topics set for discussion on the program of the *Congrès Juridique International des Sociétés par Actions*, which convened at Brussels in 1910, was that of the prevention and suppression of the frauds and other abuses connected with the operations of some of these syndicates. It is to good purpose that Professor Thaller has set himself to the discussion of this question, for it would be difficult to find anywhere a more compact, clear cut, or illuminating treatment of a similar problem. Though juristic in method and not free from technicalities it contains much concrete description and acute analysis of actual practices. Its data are largely drawn from France, but there are comparisons with Italian, Belgian, and German conditions.

The syndicate is an invisible intermediary between a newly organized company or an established company desiring to issue new shares or obligations and the investing public. It is invisible to the promoters of the company, for their dealings are with the agent or "banker principal" of the syndicate (its organizer), who distributes the securities he takes among his associates in proportions previously agreed upon. It is invisible to the investing public, for each banker (member of the syndicate) endeavors to dispose of his allotment among his own clientele, and to these he appears as an independent dealer.

The advantages of this system are apparent. The company virtually sells its securities *en bloc* for a lump sum. The securities find a wider market than they otherwise would and are unloaded skilfully so that danger of forcing prices down by glutting the market is minimised. It is thought probable that even after the syndicate's profits are taken out the amount realized by the

company is in most cases larger than it would have been without the intervention of the syndicate. The investing public gets the advantage of the fact that the securities offered them have been scrutinized and endorsed by qualified experts who have themselves assumed substantial risks.

But the methods of the syndicate lend themselves rather easily to abuse. The promoters of a new company may organize themselves into a syndicate for the purpose of affecting the market by giving an apparently independent endorsement to worthless shares, or in order to reap large personal profits on the sale of securities. In even the most legitimate syndicate operations the fact that the members attempt to dispose of their allotments at a predetermined minimum price gives the flavor, at least, of a combination in restraint of trade. It is held by many critics that the principles of the syndicate run counter to the original theory of the joint-stock company, which contemplates an enterprise organized and launched by those who invest their capital in it. In the present practice the syndicate participates (through its principal) in the organization of a new company and in the "deliberative assembly" of shareholders which approves its constitution and its security issues. The stringent provisions of the existing statutes regulating the conditions under which new securities are put on the market are framed on the assumption of an immediate contact between the enterprise and "*l'épargne*." It results that only the sale of securities to the syndicate (which is in general able to protect itself) is safeguarded by the statutes, while the real point of contact with the investing public—the reselling by the members of the syndicate—remains unprotected.

There is little use in clinging to a "theory of corporate organization" which is not elastic enough to cover the dominant facts of the modern process of investment. Nor, in Professor Thaller's opinion, would much be gained through additional statutes designed to regulate the operations of syndicates. The published financial statements now required as a preliminary to the marketing of new shares should be made more explicit, and pertinent and authenticated facts relevant to the actual condition and prospects of the business should accompany the formal balance sheet. In this connection independent audits by certified public accountants (not as yet known in France) would be advantageous. But Professor Thaller puts his main reliance upon a more efficient en-

forcement of the provisions of the penal code relating to *fraud*, which are, he thinks, elastic enough to fit the demands of the situation.

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#### NEW BOOKS

- BARNES, H. E. *Corporate organization and administration*. (New York: Universal Business Institute. 1911. Pp. 515.)
- BIRCHAM, B. O. and MORRIS, J. G. C. *Public companies: formation and flotation*. (London: E. Wilson. 1911. Pp. 152. 2s. 6d.)
- FUSTER, E. *Le syndicat des houilles d'Essen et l'organisation de la production. Contribution à l'histoire de la concentration industrielle*. (Paris: H. Dunod et E. Pinat. 1911. Pp. 310. 15 fr.)
- NEUBURGER, A. *Die Herabsetzung des Grundkapitals bei Aktiengesellschaften*. (Berlin: Puttkammer & Mühlbrecht. 1911. Pp. xii, 312. 6 m.)
- WEISSBACH, G. *Die Anfechtung des Generalversammlungsbeschlusses einer Aktiengesellschaft durch den Aktionär*. (Leipzig: Veit & Co. 1911. Pp. vii, 40. 1.50 m.)
- WILCOX, D. F. *Municipal franchises; a description of the terms and conditions upon which private corporations enjoy special privileges in the streets of American cities*. Vol. II, *Transportation franchises, taxation and control of public utilities*. (New York: The Engineering News Co. 1911. Pp. xxi, 885. \$5.00.)
- WYMAN, B. *The special law governing public service corporations and all others engaged in public employment*. Two volumes. (New York: Baker, Voorhis & Co. 1911. \$12.50.)

### Labor and Labor Organizations

#### A COMMUNICATION

In a review of my *History of California Labor Legislation*, by Ira B. Cross, published in the *AMERICAN ECONOMIC REVIEW*, March, 1911 (pp. 106-9), certain specific charges of errors and omissions are made in support of general assertions to the effect that the book contains many such defects. Permit me to point out the trivial or erroneous character of these charges.

Without giving any authority for his assertion, the reviewer claims that John M. Days did not serve as the first president of the San Francisco Trades' Union, but entered the labor movement ten years later. As pointed out (p. 11) the secrecy of its pro-